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BILL ANALYSIS

Senate Fiscal Agency

Lansing, Michigan 48909

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Senate Bill 963

Sponsor: Senator Vern Ehlers

Committee: Education and Mental Health

Date Completed: 9-12-90

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SUMMARY OF SENATE BILL 963 as introduced 5-22-90:

The bill would create the "Intermediate School District Property Tax Base Sharing Act" to:

- Permit an intermediate school district (ISD) to submit the question of adopting a tax base sharing proposal to the intermediate school electors of the ISD's constituent districts.
- Require an ISD to submit the question to the electors upon: adoption of a resolution by the ISD board; receipt of resolutions adopted by boards of constituent districts; or, receipt of a petition to place the proposal on the ballot.
- Establish requirements and procedures for placing a tax base sharing proposal on the ballot by petition.
- Specify ballot language for the proposal.
- Provide that between 15 and 25 school operating mills could be subject to tax base sharing.
- Require that a majority of the intermediate school electors approve the tax base sharing proposal before it could take effect.
- Provide for a 10-year phase-in of the proposal as well as procedures for distribution of revenues generated by the shared mills.
- Permit ISD school electors 15 years after adopting tax base sharing to place on the ballot the question of terminating tax base sharing or changing the number of school operating mills subject to tax base

sharing.

- Require an ISD that adopted tax base sharing to provide for the popular election of ISD board members if the ISD's board members were not already popularly elected.

(Senate Bill 963 would not take effect unless three other bills that would amend the General Property Tax Act, the School Code, and the State School Aid Act to conform with Senate Bill 963 were enacted. These bills have not been introduced.)

Tax Base Sharing

If the electors of an ISD adopted tax base sharing under the bill, all of the following provisions would apply.

Beginning on July 1 of the next succeeding calendar year, after the calendar year in which tax base sharing was adopted, and effective for 10 years after that date, each local tax collecting unit that collected school operating taxes for a constituent district that had a level of SEV per pupil that was higher than the average SEV per pupil among all constituent districts in the ISD would have to subtract from the collections that otherwise would be delivered directly to the constituent district an amount equal to the "SEV growth" in that constituent district multiplied by the constituent district's school operating millage for the year in which the calculation was made, and deliver that amount to the ISD for distribution to each constituent district. ("SEV growth" would mean the positive difference between a school district's SEV per pupil in the year in which the calculation was made and the school district's "baseline SEV". "Baseline SEV"

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would mean a school district's SEV per pupil in the year in which tax base sharing was adopted.) Unless a local tax collecting unit and an ISD agreed on another arrangement, a local tax collecting unit would have to deliver the total amount on hand of the payments required under the bill on the schedule set forth in the General Property Tax Act (MCL 211.43). By June 15 of each year in which tax base sharing was in effect in an ISD, the ISD would have to identify the constituent districts that were required to share SEV growth and would have to notify each local tax collecting unit that collected school operating taxes for one or more of those constituent districts that it was required to make payments under the bill on behalf of the constituent district or districts. (This 10-year stage is subsequently referred to as the "initial phase-in" in this summary.)

Beginning on July 1 of the calendar year 10 years after the calendar year in which tax base sharing was adopted, each local tax collecting unit that collected school taxes for a constituent district would have to subtract from the collections it would otherwise deliver directly to the constituent district an amount calculated by the tax base sharing revenue, and deliver the "tax base sharing revenue" to the ISD for distribution to each constituent district. ("Tax base sharing revenue" would mean the amount calculated by multiplying the number of school operating mills specified in the ballot proposal adopting tax base sharing by the total SEV in the constituent district.) Unless a local tax collecting unit and an intermediate school district agreed upon another arrangement, a local tax collecting unit would have to deliver the total amount on hand of the payments required under the bill on the same schedule established in the General Property Tax Act (MCL 211.43). (In the stage beginning 10 years after tax base sharing was adopted, the proposal is referred to as "fully phased-in".)

Not more than three days after receiving revenue under the initial phase-in of the proposal or under the fully phased-in proposal, the ISD would be required to calculate the per-pupil allocation by dividing the total amount of revenue received under either the initial phase-in or the fully phased-in proposal, by the total membership in all of the ISD's constituent districts as of the latest pupil membership count day.

Not more than five days after receiving revenue under the initial phase-in or under the fully phased-in proposal, the ISD would be required to distribute to each of its constituent districts an amount equal to the per-pupil allocation calculated under the previous provision multiplied by the constituent district's membership as of the latest pupil membership count day.

Each year after the effective date of the tax base sharing under the fully phased-in proposal, each constituent district in the ISD would be required to levy at least the number of school operating mills specified in the ballot proposal that adopted tax base sharing.

Each year after the effective date of tax base sharing under the proposed Act, each constituent district would receive money under the State School Aid Act, based on the local tax yield the constituent districts would have received in that year if the intermediate school electors had not adopted tax base sharing. The bill specifies that if tax base sharing caused a reduction in the local tax yield of a constituent district that previously was not eligible for State aid formula payments under the provisions on allocations to districts per membership pupil in the School Aid Act (MCL 388.1621), so that the constituent district became eligible for those payments, the constituent district would be required to receive State aid formula payments based on its local tax yield after the operation of tax base sharing. In addition, the bill specifies that it would not operate to cause recapture of categorical grants to a constituent district under the School Aid Act (MCL 388.1621(4)).

Proposal

An ISD could submit to the intermediate school electors of its constituent districts the question of adopting a tax base sharing proposal that would have to be in substantially the form outlined in the bill.

The ISD would be required to submit the question if one or more of the following occurred:

- Adoption of a resolution by the intermediate school board that placed the proposal on the ballot and specified a number of school operating mills that was

at least 15 but not more than 25 to be subject to tax base sharing.

- Receipt of resolutions to place the proposal on the ballot adopted by boards of the constituent districts that represented more than one-half of the combined memberships of the constituent districts as of the latest pupil membership count day, each of which specified the same number of school operating mills between 15 and 25 to be subject to tax base sharing.
- Receipt of a petition to place the proposal on the ballot specifying the number of school operating mills between 15 and 25 to be subject to tax base sharing.

The ISD would have to submit the proposal to the intermediate school electors pursuant to the School Code provisions on submitting questions to electors at an annual or special election (MCL 380.661 or 380.662) at the next annual election after one or more of the specified circumstances occurred, or the proposal could be presented at a special election called by the ISD between 90 and 120 days after one or more of the circumstances occurred. If the proposal were made under more than one of those circumstances, or if more than one petition were received, and the proposals contained different numbers of mills to be subject to tax base sharing, the intermediate school board would have to have each of the proposals presented on the ballot.

A tax base sharing proposal that was approved by a majority of the intermediate school electors voting on the proposal would be effective on the date of the official declaration of the vote. If two or more conflicting proposals were approved by the electors at the same election, the proposal that received the highest affirmative vote would prevail.

Initiative

The intermediate school electors could place the question of adopting tax base sharing on the ballot by initiative. To do so, a petition signed by a number of registered electors of the ISD that was equal to at least 5% of the total vote cast for Governor in that ISD at the last general election at which a Governor was elected would have to be filed with the secretary of the intermediate school board. The petition would have to be in the form outlined in the bill.

A petition could be circulated only in one county, and all the petition signers would have to be registered electors of the ISD who resided in the county indicated in the heading on the petition sheet. The bill specifies that the invalidity of one or more signatures on the petition would not affect the validity of the remainder of the signatures.

A person would be guilty of a misdemeanor for doing any of the following: signing a petition more than once; signing when he or she was not a qualified and registered elector; writing opposite his or her signature a date other than the date on which the signature was made; signing a petition with a name other than his or her own; knowingly making a false statement in a certificate on a petition; signing as a circulator when the person was not a circulator; signing a name as circulator other than his or her own; and, aiding or abetting another in an act that was prohibited by this provision.

When a petition was filed, the secretary of the ISD board would have to canvass the petition to ascertain if it had been signed by the required number of registered electors and, for the purpose of determining the petition's validity, could check any signatures of doubtful authenticity against the registration records by the clerk of the political subdivision in which each petition was circulated. The secretary could hold a hearing upon a complaint challenging the validity of the petition or for any purpose considered necessary by the secretary to investigate the petition. To conduct hearings, the intermediate school board could issue subpoenas and administer oaths. The secretary would have to complete the canvass within 14 days after the date on which the petition was filed. Upon completing the canvass, the secretary would be required to file with the ISD an official declaration of the sufficiency or insufficiency of the petition.

The bill specifies that it would be rebuttably presumed that a signature on a petition to initiate tax base sharing would be stale and void if it were made more than 180 days before the petition had been filed with the secretary of the intermediate school board.

At the time an initiative petition was filed with the secretary, the person(s) who filed the petition could request that a notice of approval or rejection of the petition be forwarded to that

person(s) or any other persons designated at the time of the filing. If such a request were made, upon filing with the intermediate school board the declaration of sufficiency or insufficiency, the secretary would be required to transmit by registered or certified mail to the designated person an official notice of the petition's sufficiency or insufficiency.

Referendum

Fifteen years after the adoption of tax base sharing in an ISD, the intermediate school electors could place on the ballot by referendum the question of terminating tax base sharing or of changing the number of school operating mills subject to tax base sharing. The referendum would have to be initiated by petition filed and processed in the same manner as a petition under the bill, and the intermediate school board would have to present the question to the intermediate school electors in the same manner as a proposal to adopt tax base sharing as provided in the bill.

ISD Board Election

If the intermediate school electors of an ISD adopted tax base sharing and the intermediate school board were not already elected popularly, within 120 days after tax base sharing was adopted, the intermediate school board would be required to take all necessary steps to implement the popular election of board members.

The popularly elected members would have to be elected at the next annual election and then biennially at the annual school elections of the constituent school districts. If a constituent school district held its annual election on a date other than the second Monday in June, an election for choosing intermediate school board members would have to be held in that district on the second Monday in June. The bill specifies that nomination, election, and vacancies of intermediate school board members would be governed by the School Code's provisions on candidates for intermediate school boards (MCL 380.617).

After the certification of the results of the initial election of the popularly elected members, the previous intermediate school board no longer would function and the elected board would have all the powers and duties of an intermediate school board under law.

Legislative Analyst: L. Arasim

FISCAL IMPACT

For fiscal information, please see the Senate Fiscal Agency memorandum of September 12, 1990.

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.